

Message Text

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ACTION STR-07

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DODE-00 NSAE-00 NSCE-00 SSO-00 USIE-00 INRE-00
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INR-10 INT-05 L-03 LAB-04 PA-01 CTME-00 AID-05
SS-15 ITC-01 TRSE-00 SP-02 SOE-02 OMB-01 DOE-11
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FM AMEMBASSY COPENHAGEN
TO SECSTATE WASHDC IMMEDIATE 6111
INFO EC COLLECTIVE PRIORITY
USMISSION GENEVA PRIORITY

C O N F I D E N T I A L COPENHAGEN 1607

DEPARTMENT FOR STR - AMBASSADOR STRAUSS

USEEC ALSO FOR EMBASSY

EO 11652: GDS
TAGS: EEC MTN
SUBJ: EC AND THE MTN

1. FOREIGN MINISTRY PERMANENT UNDER SECRETARY ERSBOLL, WHO JUST RETURNED FROM THE EC FOREIGN MINISTERS' COUNCIL MEETING IN BRUSSELS, INFORMED THE AMBASSADOR AND THE ECONOMIC COUNSELOR MARCH 8 THAT ON MTN THE COMMISSION MERELY GAVE A STATUS REPORT. IN ERSBOLL'S CAPACITY AS AN EC PRESIDENCY OFFICIAL, HOWEVER, THE COMMISSION GAVE HIM A PAPER EVALUATING THE US, JAPANESE, AND CANADIAN MTN OFFERS AS COMPARED WITH THOSE TABLED BY THE EC. ERSBOLL GAVE THE FOLLOWING AS THE PAPER'S PRINCIPAL CONCLUSIONS:
A. THE US OFFER IS ABOUT 10 PERCENT LESS THAN THE EC'S; IE, THE EC PROPOSAL AMOUNTS TO ABOUT A 40 PERCENT REDUCTION IN TARIFFS AGAINST ONLY ABOUT 30 PERCENT FOR THE US. THE JAPANESE PROPOSAL IS CONSIDERABLY BELOW THAT OF THE US AND THE CANADIAN EVEN LOWER.
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B. IN ORDER TO REDUCE DIFFERENCES IN POSITIONS, THE EC CAN EITHER SEEK IMPROVEMENTS OF THE US AND OTHER OFFERS OR REDUCE THE EC OFFER.

2. ERSBOLL SAID THE EC PAPER HAS DIFFICULTIES WITH THE US PROPOSAL ON THE FOLLOWING GROUND:
A. AS CONSTRUCTED, THE US PROPOSAL TENDS TO MOVE AWAY FROM THE

PRINCIPLE OF HARMONIZATION BECAUSE (1) US REQUIREMENTS FOR EXCEPTIONS BALANCED BY COMPENSATION ELSEWHERE KEEP CERTAIN TARIFFS HIGH, AND (2) US PROPOSED REDUCTIONS EMPHASIZE CHANGES IN LOW TARIFFS MORE THAN IN HIGH TARIFFS.

B. SOME OF THE USE OFFERS WITH RESPECT TO LOW TARIFFS ARE RELATIVELY MEANINGLESS TO THE EC IN THAT EC EXPORTS TO THE US IN THESE CATEGORIES ARE ALREADY LARGE AND ARE NOT LIKELY TO INCREASE AS A RESULT OF REDUCTIONS.

C. IF THE EC AND US PROPOSALS WERE IMPLEMENTED AS THEY ARE NOW, TRADE DIVERSION MIGHT ENSUE. THE REASONING IS THAT ALL EC TARIFFS WOULD BE REDUCED TO SOMETHING UNDER 10 PERCENT WHEREAS MANY US TARIFFS REMAINED CONSIDERABLY HIGHER. THUS THIRD COUNTRY EXPORTS (EG, FROM JAPAN) WOULD BE DISCOURAGED BY THE HIGH US TARIFF AND ATTRACTED BY THE LOW EC TARIFF.

3. ERSBOLL STATED THAT THE EC PAPER WILL BE DISCUSSED BY THE EEC'S 113 COMMITTEE "WITHIN A FEW DAYS". THE FINDINGS OF THAT COMMITTEE WILL BE REPORTED TO THE EC FOREIGN MINISTERS COUNCIL THAT MEETS ON APRIL 4. IF THE 113 COMMITTEE HAS REACHED AGREEMENT BY THAT DATE, THE COUNCIL WILL SIMPLY TAKE NOTE; OTHERWISE IT WILL HAVE TO WORK OUT AN AGREEMENT ITSELF SO THAT THE EC WILL HAVE A POSITION FOR THE APRIL MEETING WHEN THE US, EC, AND JAPAN MEET PRIVATELY TO TAKE STOCK OF THE MTN NEGOTIATIONS.

4. ERSBOLL FORESEES THAT OPINION WITHIN THE 113 COMMITTEE WILL DIVIDE BETWEEN THOSE WHO FAVOR USING THE COMMISSION PAPER AS CONFIDENTIAL

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JUSTIFICATION FOR THE EC TO REDUCE ITS OFFERS NOW AND THOSE WHO FAVOR DELIVERING THE PAPER TO THE OTHER MAJOR MTN COUNTRIES AS AN ANALYSIS THAT WILL HELP GET DETAILED NEGOTIATIONS STARTED. ERSBOLL BELIEVES THAT A MAJORITY, INCLUDING THE WEST GERMANS AND DANES, WILL FAVOR THE LATTER COURSE. THE FRENCH AND BRITISH, WITH GREATER PRESSURES FROM INDUSTRY FOR PROTECTION, MAY PREFER TO REDUCE THE EC MTN OFFER NOW.

5. ERSBOLL OBSERVED THAT WHILE THE DANES GENERALLY AGREE WITH THE ANALYSIS OF THE COMMISSION'S PAPER, HE IS CERTAIN THAT THE US AND OTHERS CAN FIND GROUNDS TO CHALLENGE IT. THAT, HE SAID, IS ALL THE MORE REASON FOR THE PAPER TO BE DELIVERED TO THE MAJOR MTN NEGOTIATORS SOON. HE RECALLED THAT DURING THE KENNEDY ROUND, MUCH PERTINENT ANALYTICAL MATERIAL WAS PRESENTED TOO LATE TO BE USEFUL. FURTHERMORE, ERSBOLL NOTED THAT DURING DISCUSSION IN WASHINGTON IN CONNECTION WITH DANISH PRIME MINISTER'S RECENT VISIT, AMBASSADOR STRAUSS HAD EMPHASIZED THE IMPORTANCE OF THE EC RESPONDING TO THE PRECISE OFFER MADE BY THE USG. DANISH POSITION, ERSBOLL SAID, TAKES INTO ACCOUNT THE US DESIRE.
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